

***KYODO PRINTING CO., LTD.  
and Consolidated Subsidiaries***

*Interim Consolidated Financial Statements (Unaudited)  
for the Three-Month Period Ended June 30, 2019*

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Balance Sheets June 30, 2019 as compared with March 31, 2019 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	June 30, 2019	March 31, 2019	June 30, 2019
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents (Note 5)	¥ 11,242	¥ 10,432	\$ 104,334
Receivables:			
Trade notes (Note 4)	6,174	6,685	57,299
Trade accounts	20,556	21,717	190,774
Allowance for doubtful accounts	(59)	(64)	(547)
Short-term investments (Note 5)	24	329	222
Inventories	7,897	7,367	73,290
Prepaid expenses and other current assets	1,355	1,391	12,575
	<u>47,192</u>	<u>47,859</u>	<u>437,976</u>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land	14,583	14,579	135,341
Buildings and structures	51,639	51,902	479,248
Machinery and vehicles	47,932	49,315	444,844
Furniture and fixtures	6,897	6,953	64,009
Lease assets	3,373	3,471	31,303
Construction in progress	2,225	1,709	20,649
Total	<u>126,652</u>	<u>127,931</u>	<u>1,175,424</u>
Accumulated depreciation	<u>(73,734)</u>	<u>(74,652)</u>	<u>(684,306)</u>
	<u>52,918</u>	<u>53,279</u>	<u>491,118</u>
<b>INVESTMENTS AND OTHER ASSETS:</b>			
Investment securities	18,422	18,854	170,969
Investments in subsidiaries and associated companies	126	137	1,169
Goodwill	1,167	1,248	10,830
Intangible assets	1,242	1,195	11,526
Long-term loans receivable	28	35	259
Asset for retirement benefits	1,333	1,108	12,371
Deferred tax assets	526	481	4,881
Other long-term assets	1,218	1,240	11,303
Allowance for doubtful accounts	<u>(49)</u>	<u>(49)</u>	<u>(454)</u>
	<u>24,017</u>	<u>24,251</u>	<u>222,895</u>
<b>TOTAL</b>	<u>¥ 124,128</u>	<u>¥ 125,390</u>	<u>\$ 1,152,000</u>

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Balance Sheets June 30, 2019 as compared with March 31, 2019 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	June 30, 2019	March 31, 2019	June 30, 2019
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Current portion of long-term debt	¥ 5,530	¥ 5,553	\$ 51,322
Payables:			
Trade notes (Note 4)	8,611	8,145	79,916
Trade accounts	9,534	9,791	88,482
Income taxes payable	373	151	3,461
Accrued bonuses	415	1,201	3,851
Other current liabilities (Note 4)	10,300	10,321	95,591
	<u>34,765</u>	<u>35,163</u>	<u>322,645</u>
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt	16,290	16,353	151,183
Liability for retirement benefits	6,603	6,382	61,280
Provision for environmental measures	314	16	2,914
Provision for dismantling of non-current assets	1,385	1,970	12,853
Deferred tax liabilities	1,659	1,761	15,396
Other long-term liabilities	356	357	3,303
	<u>26,611</u>	<u>26,842</u>	<u>246,969</u>
<b>EQUITY:</b>			
Common stock—authorized, 36,080,000 shares; issued, 9,020,000 shares as of June 30, 2019 and March 31, 2019	4,510	4,510	41,856
Capital surplus	1,765	1,765	16,380
Retained earnings	48,636	48,832	451,378
Treasury stock—at cost, 380,448 shares as of June 30, 2019 and 298,748 shares as of March 31, 2019	(939)	(726)	(8,714)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	9,051	9,365	84,000
Foreign currency translation adjustments	(53)	(155)	(491)
Remeasurement of defined benefit plans	(207)	(213)	(1,921)
Total	<u>62,763</u>	<u>63,378</u>	<u>582,487</u>
Non-controlling interests	<u>(11)</u>	<u>6</u>	<u>(102)</u>
Total equity	<u>62,752</u>	<u>63,384</u>	<u>582,385</u>
<b>TOTAL</b>	<u>¥ 124,128</u>	<u>¥ 125,390</u>	<u>\$ 1,152,000</u>

See notes to interim consolidated financial statements.

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Statements of Income Three-Month Periods Ended June 30, 2019 and 2018 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2019	2018	2019
NET SALES (Note 6)	¥ 23,718	¥ 23,066	\$ 220,120
COST OF SALES	19,838	19,200	184,111
Gross profit	3,879	3,865	36,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 6):			
Delivery expenses	1,033	1,037	9,587
Provision of allowance for doubtful accounts	(5)	(12)	(46)
Salaries and allowances	1,390	1,312	12,900
Provision for employees' bonuses	135	125	1,252
Provision for directors' bonuses	10	12	92
Retirement benefit expenses	57	54	529
Other	1,238	1,157	11,489
Total selling, general and administrative expenses	3,860	3,686	35,823
Operating income (Note 6)	19	178	176
OTHER INCOME (EXPENSES):			
Interest and dividend income	142	135	1,317
Interest expenses	(34)	(32)	(315)
Gain on sales of goods	63	66	584
Rent income (expenses) on facilities	13	31	120
Dividend income of insurance	154	172	1,429
Foreign exchange losses	(39)	-	(361)
Gain on sales of investment securities	300	-	2,784
Reversal of provision for dismantling of non-current assets	585	-	5,429
Loss on sales and retirement of non-current assets	(280)	(264)	(2,598)
Provision for environmental measures	(297)	-	(2,756)
Other—net	(66)	(40)	(612)
Other income—net	541	68	5,020
INCOME BEFORE INCOME TAXES	560	247	5,197
INCOME TAXES	336	184	3,118
NET INCOME	224	63	2,078
NET INCOME (LOSS) ATTRIBUTABLE TO NON- CONTROLLING INTERESTS	(18)	5	(167)
NET INCOME ATTRIBUTABLE TO OWNERS OF PARENT	¥ 243	¥ 58	\$ 2,255

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Statements of Income Three-Month Periods Ended June 30, 2019 and 2018 (Unaudited)

	Yen		U.S. Dollars	
	Three-Month Period Ended June 30		Three-Month Period Ended June 30	
	2019	2018	2019	
PER SHARE OF COMMON STOCK:				
Basic net income	¥ 28.00	¥ 6.66	\$ 0.25	
Diluted net income	24.74	5.89	0.22	

See notes to interim consolidated financial statements.

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Statements of Comprehensive Income Three-Month Periods Ended June 30, 2019 and 2018 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2019	2018	2019
NET INCOME	¥ 224	¥ 63	\$ 2,078
OTHER COMPREHENSIVE INCOME (LOSS):			
Unrealized gain (loss) on available-for-sale securities	(316)	690	(2,932)
Foreign currency translation adjustments	102	(261)	946
Remeasurement of defined benefit plans	5	(0)	46
Share of other comprehensive income in associate accounted for using the equity method	2	0	18
Total other comprehensive income (loss)	(206)	430	(1,911)
COMPREHENSIVE INCOME	¥ 18	¥ 494	\$ 167
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:			
Owners of parent	¥ 36	¥ 490	\$ 334
Non-controlling interests	(18)	4	(167)

See notes to interim consolidated financial statements.

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Statements of Cash Flows Three-Month Periods Ended June 30, 2019 and 2018 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2019	2018	2019
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes	¥ 560	¥ 247	\$ 5,197
Adjustments for:			
Income taxes—paid	(134)	(1,409)	(1,243)
Depreciation and amortization	1,311	1,176	12,167
Amortization of goodwill	92	50	853
(Gain) Loss on sales and retirement of property, plant and equipment	279	264	2,589
(Gain) Loss on sales of investment securities	(300)	-	(2,784)
Changes in assets and liabilities:			
(Increase) Decrease in trade receivables	1,678	1,025	15,573
(Increase) Decrease in inventories	(527)	(320)	(4,890)
Increase (Decrease) in trade payables	205	(280)	1,902
Increase (Decrease) in liability for retirement benefits	4	27	37
Increase (Decrease) in accrued consumption tax	381	(29)	3,535
Increase (Decrease) in accrued expense	1,418	1,520	13,160
Increase (Decrease) in accrued bonuses	(785)	(791)	(7,285)
Increase (Decrease) in provision for dismantling of non-current assets	(585)	-	(5,429)
Increase (Decrease) in provision for environmental measures	297	-	2,756
Other—net	225	(110)	2,088
Total adjustments	3,561	1,122	33,048
Net cash provided by operating activities	4,122	1,369	38,255
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment	(3,130)	(1,167)	(29,048)
Purchases of intangible assets	(115)	(69)	(1,067)
Proceeds from sales of property, plant and equipment	102	1	946
Purchases of investment securities	(3)	(33)	(27)
Proceeds from sales of investment securities	302	-	2,802
Other—net	278	(184)	2,580
Net cash used in investing activities	(2,566)	(1,453)	(23,814)
<b>FORWARD</b>	¥ 1,555	¥ (83)	\$ 14,431

## KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

### Interim Consolidated Statements of Cash Flows Three-Month Periods Ended June 30, 2019 and 2018 (Unaudited)

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	Three-Month Period Ended June 30		Three-Month Period Ended June 30
	2019	2018	2019
FORWARD	¥ 1,555	¥ (83)	\$ 14,431
FINANCING ACTIVITIES:			
Dividends paid	(439)	(439)	(4,074)
Repayments of long-term debt	(149)	(53)	(1,382)
Purchases of treasury stock	(212)	(0)	(1,967)
Net cash used in financing activities	(800)	(492)	(7,424)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	55	(62)	510
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	810	(639)	7,517
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	10,432	14,606	96,816
CASH AND CASH EQUIVALENTS, END OF PERIOD (Note 5)	¥ 11,242	¥ 13,967	\$ 104,334

See notes to interim consolidated financial statements.



# KYODO PRINTING CO., LTD. and Consolidated Subsidiaries

## Notes to Interim Consolidated Financial Statements (Unaudited)

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### 1. BASIS OF PRESENTING INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying interim consolidated financial statements of KYODO PRINTING CO., LTD. (the “Company”) and its consolidated subsidiaries (together, the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accounting standard for quarterly financial statements requires companies to prepare a set of interim consolidated financial statements for each quarter comprised of the consolidated balance sheet as of the current quarter-end and the consolidated statements of income, and comprehensive income, and cash flows for the year-to-date period. A statement of changes in equity is not required.

The interim consolidated statements of changes in equity are not presented herein.

In preparing these interim consolidated financial statements, certain reclassifications and rearrangements have been made to the interim consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The interim consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥107.75 to \$1, the approximate rate of exchange as of June 28, 2019. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Japanese yen figures less than a million yen are rounded down to the nearest million yen except for per share data. U.S. dollar figures are translated from millions of yen and rounded down to the nearest thousand dollars except for per share data.

### 2. SIGNIFICANT ACCOUNTING POLICIES

Substantially the same accounting policies have been followed in these interim consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended March 31, 2019, with certain simplified methods, except for the policy specifically allowed and adopted for interim accounting periods described below.

- a. **Scope of Consolidation**—Kyodo Blow Bottle Co., Ltd. has been newly included in the scope of consolidation from the three-month period ended June 30, 2019 since it was newly established.
- b. **Tax Expense**—Tax expense for interim period is measured by applying a reasonably estimated effective tax rate for this fiscal year as adjusted after tax effect accounting to income before income taxes for the interim period.

### 3. ADDITIONAL INFORMATION

Based on a resolution at the 138th annual shareholders’ meeting held on June 28, 2018, the Company introduced a Board Benefit Trust (“BBT”) as a performance-linked stock compensation plan (the “Plan”) for directors and executive officers of the Company and directors with titles of certain subsidiaries (“Directors, etc.”).

The Company adopted the gross method as to the accounting treatment of the trust in line with the “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees etc. through Trusts” (Accounting Standards Board of Japan, Practical Issues Task Force No. 30, March 26, 2015).

#### (1) Overview of the transaction

Under the Plan, the Company will acquire the Company’s stock through a trust using the money entrusted by the Company. The Company’s stock and/or money equivalent to their fair conversion value will be delivered to Directors, etc. through the trust based on the attainment of performance targets and other indicators in

accordance with the internal rules on stock distribution to officers established by the Company and certain subsidiaries. Directors, etc. are eligible to receive the Company's stock, etc. in principle, when they retire.

(2) The remaining balance of the Company's own stock in the trust

The Company records the balance of the Company's stock remaining in the trust as treasury stock in the net assets section at the carrying amount (excluding the amount of ancillary expenses) in the trust. The carrying amount and the number of shares of such treasury stock was ¥164 million (\$1,522 thousand) and 57,000 shares, respectively, as of June 30, 2019 and March 31, 2019.

#### 4. TRADE NOTES AND OTHERS

Notes maturing at the end of the period are settled on their clearance dates. As the balance sheet dates of the three-month period ended June 30, 2019 and the year ended March 31, 2019 were bank holidays, the following amounts of notes matured on the balance sheet date were included in the balance of trade notes and other current liabilities as of June 30, 2019 and March 31, 2019:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2019	March 31, 2019	June 30, 2019
Trade notes receivable	¥ 441	¥ 483	\$ 4,092
Trade notes payable	53	55	491
Other (notes payable - facilities)	6	2	55

#### 5. SUPPLEMENTARY CASH FLOW INFORMATION

Cash and cash equivalents as of June 30, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	June 30, 2019	June 30, 2018	June 30, 2019
Cash and time deposits	¥ 11,267	¥ 14,300	\$ 104,566
Time deposits exceeding three months to maturity	(24)	(333)	(222)
Cash and cash equivalents	¥ 11,242	¥ 13,967	\$ 104,334

#### 6. SEGMENT INFORMATION

##### *Information about Sales and Profit (Loss)*

	Millions of Yen			Total
	Reportable Segment			
June 30, 2019	Information Communication	Information Security	Living and Industrial Materials	
Sales:				
Sales to external customers	¥ 8,603	¥ 7,976	¥ 6,464	¥ 23,044
Intersegment sales or transfers	377	198	108	684
Total	¥ 8,981	¥ 8,174	¥ 6,573	¥ 23,729
Segment profit (loss)	¥ (391)	¥ 385	¥ (64)	¥ (70)

Millions of Yen				
	Other (*1)	Total	Reconciliations (*2)	Consolidated Statements of Income (*3)
Sales:				
Sales to external customers	¥ 674	¥ 23,718	¥ -	¥ 23,718
Intersegment sales or transfers	1,946	2,631	(2,631)	-
Total	¥ 2,620	¥ 26,349	¥ (2,631)	¥ 23,718
Segment profit (loss)	¥ 40	¥ (30)	¥ 49	¥ 19

Millions of Yen				
Reportable Segment				
June 30, 2018	Information Communication	Information Security	Living and Industrial Materials	Total
Sales:				
Sales to external customers	¥ 8,366	¥ 7,941	¥ 6,283	¥ 22,591
Intersegment sales or transfers	391	210	102	704
Total	¥ 8,758	¥ 8,151	¥ 6,385	¥ 23,296
Segment profit (loss)	¥ (472)	¥ 419	¥ 163	¥ 110

Millions of Yen				
	Other (*1)	Total	Reconciliations (*2)	Consolidated Statements of Income (*3)
Sales:				
Sales to external customers	¥ 475	¥ 23,066	¥ -	¥ 23,066
Intersegment sales or transfers	1,981	2,686	(2,686)	-
Total	¥ 2,456	¥ 25,752	¥ (2,686)	¥ 23,066
Segment profit (loss)	¥ 44	¥ 155	¥ 23	¥ 178

	Thousands of U.S. Dollars			
	Reportable Segment			Total
June 30, 2019	Information Communication	Information Security	Living and Industrial Materials	
Sales:				
Sales to external customers	\$ 79,842	\$ 74,023	\$ 59,990	\$ 213,865
Intersegment sales or transfers	3,498	1,837	1,002	6,348
Total	<u>\$ 83,350</u>	<u>\$ 75,860</u>	<u>\$ 61,002</u>	<u>\$ 220,222</u>
Segment profit (loss)	\$ (3,628)	\$ 3,573	\$ (593)	\$ (649)

	Thousands of U.S. Dollars			
	Other (*1)	Total	Reconciliations (*2)	Consolidated Statements of Income (*3)
Sales:				
Sales to external customers	\$ 6,255	\$ 220,120	\$ -	\$ 220,120
Intersegment sales or transfers	18,060	24,417	(24,417)	-
Total	<u>\$ 24,315</u>	<u>\$ 244,538</u>	<u>\$ (24,417)</u>	<u>\$ 220,120</u>
Segment profit (loss)	\$ 371	\$ (278)	\$ 454	\$ 176

Notes: (\*1) "Other" refers to business segments not included in the reportable segment, which mainly includes logistics business, insurance business and real estate management business.

(\*2) Reconciliations for segment profit (loss) refer to corporate expenses and primarily consist of general and administrative expenses and research and development costs that are not attributable to any reportable segments.

(\*3) Segment profit (loss) is adjusted to the operating income stated in the interim consolidated statements of income.

***Information About Impairment Loss on Non-current Assets or Goodwill for Each Reportable Segment***

Three-month periods ended June 30, 2019 and 2018

There was no applicable matter for the three-month periods ended June 30, 2019 and 2018.

## **7. SUBSEQUENT EVENT**

There was no significant subsequent event to be noted.

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